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TESTIMONY OF
Peter J. Karl
President & CEO of Eastern Connecticut Health Network
Representing Manchester Memorial and Rockville General Hospitals
BEFORE THE
APPROPRIATIONS COMMITTEE
Thursday, March 11, 2010

Governor M. Jodi Rell's March 1, 2010 Deficit Mitigation Plan For Fiscal Year 2010

My name is Peter J. Karl. I am the President and CEO of Eastern Connecticut Health Network, which includes Manchester Memorial and Rockville General Hospitals. I am testifying on **Governor M. Jodi Rell's March 1, 2010 Deficit Mitigation Plan For Fiscal Year 2010.**

Thank you for the opportunity to testify today. As the Connecticut Hospital Association (CHA) testified earlier, the Governor's 2010 Deficit Mitigation Plan for Fiscal Year 2010 will have a devastating effect on Connecticut hospitals. The overall impact of the changes proposed for hospitals totals over \$219 million.

As the President and CEO of Eastern Connecticut Health Network, my concern is for the health and well-being of the communities our two hospitals, Manchester Memorial (MMH) and Rockville General (RGH), serve. The proposed reductions will mean a cut of \$4.3 million, creating a budget shortfall that will be extremely difficult to fill. [See table below.]

We face the same economic difficulties as profit organizations, with less ability to generate lost revenue by "robbing Peter to pay Paul." The prolonged recession has caused unemployment to soar, especially in Connecticut, and record numbers of people have found themselves uninsured or on Medicaid. Hospitals continue to provide care to all 24 hours a day, seven days a week, regardless of patients' ability to pay.

	SAGA	Medicare DSH	Medicaid Rates Reduced 5%	Co-Pays	Medical Necessity	Total Hospital Cuts
MMH	(1,701,333)	(739,555)	(743,636)	(72,627)	(36,314)	(3,293,466)
RGH	(239,180)	(409,900)	(312,522)	(30,522)	(15,261)	(1,007,385)
TOTAL	(1,940,513)	(1,149,455)	(1,056,158)	(103,149)	(51,575)	(4,300,851)

We have repeatedly stated in our previous testimonies that the Governor's proposed reductions place every hospital in a hardship position. We do not turn any patient away and yet we cannot raise more revenue by raising fee structures. We are required to meet

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the safety protocols mandated by the Joint Commission and other State and Federal regulatory agencies, yet we will not have the funds to purchase available technologies that improve patient safety. Just this past year, ECHN reduced its spending, its workforce, its workable hours, and implemented a permanent cost-reduction program. Any further reduction in the number of nurses, technicians, and physicians would only compromise the quality of care we provide to the communities we serve. We must provide full medical care at all times. Just when we think our legislative body understands the unique circumstances of hospital operations, another imposition is placed on the table that increases the burden on hospitals even further. I must admit, we are baffled by the presumption that hospitals are profit-making entities. ECHN is a not-for-profit healthcare system and as such, what little revenues we gain are reinvested back into providing safe and quality care to our patients.

We agree with the Connecticut Hospital Association that it simply does not make sense to cut Medicaid payments and impose a tax on hospitals at a time when Congress has given unprecedented Medicaid funding increases to states. Under the stimulus bill, Connecticut will get more than \$1.74 billion in increased federal funds to provide care for our most vulnerable populations. This infusion should be used to maintain eligibility and coverage, and help bring provider rates closer to covering the actual cost of care. Instead, the Governor is proposing to reduce hospital funding by \$219 million.

In addition, while the Rell Administration has not taken the steps necessary to implement the SAGA waiver as directed by the legislature, the biennial budget passed in September 2009 provided the funding needed to raise hospital SAGA rates up to Medicaid effective January 1, 2010. The funds necessary to raise hospital SAGA rates to Medicaid have been appropriated and will be matched with or without a waiver. We urge you to insist that DSS pays hospitals in accordance with the biennium budget at the Medicaid rate for SAGA and finally put hospitals on par with all other providers to the SAGA program.

ECHN's SAGA volumes increased nearly 50 percent for Manchester Memorial Hospital and Rockville General Hospital (combined) between 2008 and 2009, and we experienced a commensurate increase for FY2010 (October-December) of 34 percent compared to FY2009. To compound the volume increases, SAGA continues to pay less than prior years: In 2008, SAGA paid 55.25 percent of the Medicaid rate; in 2009, SAGA paid 47.3 percent of the Medicaid rate; in 2010, SAGA is paying 46.8 percent of Medicaid rate.

We strongly urge rejection of the proposed cuts and hospital tax, and immediate implementation of the SAGA rates funded in the biennial budget.

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